

## Message Text

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ACTION EA-14

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FM AMCONSUL HONG KONG

TO RUEHC/SECSTATE WASHDC 422

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

C O N F I D E N T I A L HONG KONG 4363

E.O. 11652: GDS

TAGS: BEXP, ETRD, CH, US

SUBJECT: US PARTICIPATION IN THE 1974 SPRING CANTON TRADE FAIR

REF: (A) PEKING 629; (B) PEKING 638

SUMMARY: APPROXIMATELY 50 AMERICANS WERE ON HAND FOR THE OPENING OF THE 1974 CHINESE EXPORT COMMODITIES FAIR IN CANTON ON APRIL 15. IN LINE WITH THE FAIR'S APPARENT EMPHASIS ON PRC EXPORTS, THE LARGEST NUMBER OF US FIRMS WERE IMPORTERS SPECIALIZING IN CHINESE PRODUCTS. THE FAIR'S EXPORT FOCUS AND THE STRESS ON INVITING IMPORTERS APPEAR TO US TO REFLECT INCREASED CRITICISM OF IMPORTS IN THE CURRENT POLITICAL CAMPAIGN AS WELL AS THE CONTINUING NEED TO INCREASE EXPORT EARNINGS.

1. THE FOLLOWING REPORT IS BASED ON INFORMATION RECEIVED FROM USLO C/E OFFICER HOROWITZ AT THE CANTON TRADE FAIR.

2. APPROXIMATELY 50 AMERICANS WERE ON HAND FOR THE OPENING OF THE 1974 CHINESE EXPORT COMMODITIES FAIR IN  
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CANTON ON APRIL 15. AMONG THE 30 FIRMS REPRESENTED,

IMPORTERS SPECIALIZING IN TRADE WITH THE PRC WERE MOST NUMEROUS. THREE MAJOR DEPARTMENT STORES (MAY, SEARS, BLOOMINGDALES), KODAK (THE ONLY MAJOR CORPORATION), CONTINENTAL GRAIN (THE ONLY ONE OF THE THREE MAJOR US GRAIN DEALERS WHOSE WHEAT HAS NOT BEEN REJECTED FOR TCK SMUT) AND TWO CHEMICAL FIRMS WERE ALSO PRESENT. THIS COMPARES WITH SOME 70 AMERICANS INCLUDING REPRESENTATIVES OF SEVERAL OIL COMPANIES WHO ATTENDED THE OPENING OF THE 1973 FALL FAIR (1973 HK 10591, OCTOBER 20).

3. THE ABSENCE OF LARGE CORPORATIONS AND COMPOSITION OF US FIRMS REPRESENTED IS IN LINE WITH THIS FAIR'S APPARENT EMPHASIS ON SELLING CHINESE PRODUCTS. AS EVIDENCE OF THE FOCUS ON PRC EXPORTS, THE CHIAN NATIONAL TECHNICAL IMPORT CORPORATION (TECHIMPORT) WHICH HANDLES COMPLETE PLANT PURCHASES IS ALSO NOT REPRESENTED (REF (B)). IN CONTRAST, THE FALL FAIR WAS USED AS VENUE FOR TECHNICAL DISCUSSIONS BETWEEN TECHIMPORT AND SEVERAL LARGE US CORPORATIONS.

4. ALSO LIMITING US PRESENCE WAS THE FACT THAT SOME FIRMS HAD ALREADY COMPLETED THEIR BUSINESS IN RECENT VISITS TO PEKING. AMONG THESE ARE FIREWORKS AND TOBACCO COMPANIES WHICH WERE WELL REPRESENTED LAST FALL.

5. AMONG US FIRMS, KODAK AND CONTINENTAL GRAIN, ARE OF SPECIAL INTEREST. TWO REPRESENTATIVES (CHINESE) FROM KODAK'S HK OFFICE PRESENTED A SEMINAR ON PRINTING AND PROCESSING EQUIPMENT IN PREPARATION FOR A VISIT BY A

LARGER US DELEGATION LATER IN THE FAIR. AFTER FAILING TO BUY RICE AND SOYBEANS, A THREE-MAN CONTINENTAL GRAIN TEAM LEFT CANTON AFTER ONLY THREE DAYS AT THE FAIR.

6. AS AT LAST YEAR'S FAIR, AMERICANS HAVE RECEIVED CORDIAL, BUT NOT PREFERENTIAL TREATMENT FROM THE CHINESE. OUTWARD EVIDENCE OF THE CURRENT POLITICAL CAMPAIGN IS MINIMAL, AND THE GENERAL ATMOSPHERE IS ONE OF BUSINESS AS USUAL. THIS FAIR HAS ALSO BENEFITED FROM THE OPENING OF A NEW EXHIBITION CENTER WHICH IS MODERN AND TWICE AS CONFIDENTIAL

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SPACIOUS AS THE OLD FAIR FACILITIES.

7. COMMENT: IN THE PAST MONTH, CRITICISM OF IMPORTS HAS BECOME INCREASINGLY A PART OF THE RHETORIC OF THE CURRENT POLITICAL CAMPAIGN. A RECENT SERIES OF NCNA REPORTS ON FIRST QUARTER PRODUCTION IN INDUSTRY HAVE STRESSED THE IMPORTANCE OF "WORKERS' TECHNICAL INNOVATIONS" WHILE ATTACKING THE IDEA OF "TRAILING ALONG AT A SNAIL'S

PACE", A CODE PHRASE FOR OVER-RELIANCE ON IMPORTS. THE MARCH ISSUE OF STUDY AND CRITICISM CONTAINS SIX ARTICLES CRITICIZING THE "WORSHIP" OF FOREIGN TECHNOLOGY. THE FAIR'S EMPHASIS ON PRC EXPORTS AND THE DECISION TO INVITE MOSTLY US IMPORTERS COULD BE THE FIRST REAL SIGN THAT SUCH CRITICISM HAS BEGUN TO INFLUENCE THE CONDUCT

OF CHINA'S FOREIGN TRADE.

8. WHILE THE CURRENT IMBALANCE IN SINOWTTS TRADE COULD ALSO BE RESPONSIBLE FOR THE EMPHASIS ON US IMPORTERS, TECHIMPORTS'S FAILURE TO ATTEND THE FAIR SEEMS TO INDICATE A MORE GENERAL ATTEMPT TO REDUCE THE VISABILITY, IF NOT THE LEVEL, OF IMPORT NEGOTIATIONS. WHILE THE CHINESE WILL PROBABLY CONTINUE TO EXPRESS THE IMPORTANCE OF FOREIGN TRADE (AS IN SPEECHES AT THE FAIR) , THIS MAY BE INCREASINGLY DEFINED-- CERTAINLY FOR PUBLIC CONSUMPTION US AS SELLING CHINESE PRODUCTS. THIS WOULD ALSO BE IN LINE WITH CHINA'S NEED TO EARN FOREIGN EXCHANGE TO PAY FOR A RECORD LEVEL OF IMPORTS CONTRACTED FOR LAST YEAR. CROSS

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